

Message Text

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ACTION AGR-20

INFO OCT-01 EA-11 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

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FM AMEMBASSY RANGOON

TO SECSTATE WASHDC 8236

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR EGEN BM

SUBJECT: AGRICULTURAL COMMODITY PURCHASE PRICES RAISED

REF: A. RANGOON A-63, ITEM 3

B. RANGOON 2400, OCTOBER 11, 1973

C. RANG 1791, JUNE 27, 1974

1. SUMMARY. GUB ANNOUNCED 50 PERCENT INCREASE IN OFFICIAL PROCUREMENT PRICES OF PADDY AND SUGAR CANE. ALTHOUGH OFFICIAL PRICES STILL FAR BELOW FREE MARKET PRICES, THIS SUBSTANTIAL PRICE RISE WILL PROBABLY INCREASE SOMEWHAT PORTION OF 1974-5 PADDY CROP WHICH COMES INTO GOVERNMENT HANDS. HIGHER PRICES MAY ALSO PROVIDE SOME ENCOURAGEMENT TO INCREASED PADDY PRODUCTION, BUT LACK OF ADEQUATE CREDIT WILL PROBABLY LIMIT EXTENT OF INCREASE. GOVERNMENT MAY BE CONTEMPLATING NEW CAMPAIGN OF HOUSE-TO-HOUSE SEARCHES TO DISLodge HOARDED RICE FROM 1973-4 CROP. THESE DEVELOPMENTS SUGGEST THAT GUB, IN ATTEMPTS TO LAY HANDS ON ESSENTIAL RICE STOCKS, LIKELY TO FOLLOW AD HOC MANNER OF INCENTIVES AND FORCED COLLECTIONS.

END SUMMARY.

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2. (BEGIN UNCLASSIFIED) GUB JULY 11 ANNOUNCED 50 PERCENT INCREASES IN OFFICIAL PROCUREMENT PRICES OF PADDY AND SUGAR CANE. CONTINUING SYSTEM INTRODUCED LAST YEAR, QUALITY BONUSES OF 2 TO 4 PERCENT WILL ALSO BE PAID FOR PADDY.

3. 100 BASKETS (4600 POUNDS) OF NGASEIN (STANDARD TYPE OF BURMESE PADDY) WILL NOW BE PURCHASED AT K900 (U.S. \$187.90) COMPARED TO LAST YEAR'S GOVERNMENT PRICE OF K600 (U.S. \$125.27) (REF B). HIGH QUALITY NGASEIN PADDY WILL RATE QUALITY BONUS OF K 20-30 (US\$4.18-6.26). NEW PRICES WILL GO INTO EFFECT OCTOBER 1. ANNOUNCEMENT MADE NO MENTION OF "SPECIAL PRICES" WHICH GOVERNMENT PROMISED IN MAY WOULD BE PAID FOR PADDY IN EXCESS OF QUOTAS REQUIRED TO BE SOLD AT OFFICIAL PRICES (REF A).

4. GOVERNMENT PURCHASE PRICE OF SUGAR CANE WILL BE RAISED FROM K40 (U.S. \$8.25) TO K60 (U.S. \$12.53) PER TON, EFFECTIVE JULY 15.
END UNCLASSIFIED)

5. (BEGIN LIMITED OFFICIAL USE) ACCORDING TO APPARENTLY RELIABLE SOURCE, NEW EFFORT TO DISLodge RICE FROM 73-74 CROP WHICH GOVERNMENT BELIEVES IS BEING HOARDED IN VILLAGES WILL BEGIN SOON. SEARCH PARTIES INCLUDING MEMBERS OF LOCAL PEASANTS' COUNCILS, PEOPLE'S COUNCILS AND LAND COMMITTEES WILL MAKE HOUSE-TO-HOUSE SEARCHES IN VILLAGES AND WILL REQUISITION (MAKING PAYMENT AT PAST SEASON'S OFFICIAL PRICES) STOCKS HELD BY NON-FARMERS AND STOCKS IN EXCESS OF NEED HELD BY FARMERS.

6. COMMENT: NEW OFFICIAL PROCUREMENT PRICES REPRESENT LARGEST INCREASE THIS GOVERNMENT HAS EVER GRANTED. NEW OFFICIAL PRICES, HOWEVER, STILL ONLY ABOUT HALF OR LESS OF CURRENT FREE MARKET PRICES FOR PADDY AND SUGAR CANE. HENCE, NEW PRICES WILL NOT REMOVE TEMPTATION FOR FARMERS TO SELL PRODUCE ON FREE MARKET. HOWEVER, IN CIRCUMSTANCES WHERE FARMERS CANNOT AVOID SELLING SUBSTANTIAL PORTION OF CROP TO GOVERNMENT, INCREASED OFFICIAL PRICES WILL PROBABLY MAKE PADDY CULTIVATION SOMEWHAT MORE ATTRACTIVE TO FARMERS. MEASURE IS LATE, SINCE MOST OF 74-75 PADDY CROP ALREADY SOWN, BUT NEW PRICES COULD ENCOURAGE PRODUCTIVITY FACTORS SUCH AS USE OF FERTILIZERS AND PESTICIDES. MAIN FACTOR HERE, HOWEVER, IS AVAILABILITY OF CREDIT, AND K35 (U.S. \$7.30) PER ACRE ADVANCE CULTIVATION LOANS (REF A) ARE NOT CONSIDERED ADEQUATE TO FINANCE SUCH INPUTS.
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NEW SUGAR CANE PRICES ARE ALSO PROBABLY NOT HIGH ENOUGH TO BRING ABOUT EXPANSION OF ACREAGE--CERTAINLY NOT TO POINT WHERE PRODUCTION EQUALS MILLING CAPACITY.

7. PLANNED NEW CAMPAIGN TO DISLodge RURAL PADDY AND RICE STOCKFA SEEMS UNLIKELY TO PRODUCE MUCH NEW RICE, SINCE MEMBERS OF SEARCH TEAMS WILL BE LOCAL PEOPLE WHO WILL PRESUMABLY BE RELUCTANT OR AFRAID TO APPLY EXCESSIVE PRESSURE TO VILLAGERS. BY UNDERLINING

GOVERNMENT'S DETERMINATION TO USE STRONG-ARM METHODS, HOWEVER, IT MAY HAVE DISCOURAGING EFFECT ON PADDY FARMERS AND PARTIALLY NULLIFY EFFECTS OF PRICE RISE.

8. UNPRECEDENTEDLY LARGE PRICE INCREASES APPEAR TO REFLECT PRAGMATIC ECONOMIC THINKING ALONG LINES INDICATED IN DEPUTY MINISTER OF PLANNING AND FINANCE U CHIT MOUNG'S JUNE 26 PRESS CONFERENCE (REF C). IT IS SIGNIFICANT, HOWEVER, THAT THEY WILL PROBABLY BE COUPLED WITH ATTEMPTS TO DISLODGE HOARDED RICE FORCEFULLY, AND ARE NOT ACCOMPANIED BY ANY RETREAT FROM MAY DECISION (REF A) TO MAKE GUB THE ONLY LEGAL BUYER OF PADDY (WHICH APPEARED TO INDICATE A MORE DOCTRINAIRE APPROACH). THESE LATEST DEVELOPMENTS THUS SUGGEST THAT GUB ECONOMIC TACTICS IN COMING MONTHS LIKELY TO COMBINE INCREASED INCENTIVES IN AD HOC MANNER WITH CONTINUED EFFORTS AT BROAD STATE CONTROL AND STRONG-ARM MEASURES OF TYPE WHICH HAVE

HERETOFORE CHARACTERIZED THE REGIME.
OSBORN

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